

FISCAL NOTE

SB 2867 - HB 2871

February 16, 2004

SUMMARY OF BILL: Prohibits any state or local government health plan from requiring any person to obtain prescription drugs from a mail-order pharmacy or to pay an additional fee for failing to use a mail order pharmacy.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$3,600,000

Increase Local Govt Expenditures - Exceeds \$1,000,000

Estimate assumes:

- The state employee, state local education and state local government health insurance plans currently allow enrollees to voluntarily choose mail order prescription services. A local government plan not associated with the state plan may require employees to utilize mail order prescription services for certain drugs.
- Under the state voluntary plans, an enrollee may receive a 90-day prescription for a single copay, rather than three separate copays for each month. The insurance plans receive a significantly greater discount on average wholesale drug prices for mail order prescriptions (21% vs. 13% discount).
- State and local governments would have two options to comply with this bill:
 1. Require enrollees to be responsible for all three copays increasing out of pocket expenses for state, higher education, local government and local education agency employees.
 2. Continue the policy of one copay for a three-months prescription but lose the savings from the wholesale discount available through mail order service. Costs to state and local governments would increase as a result of reduced co-payments.
- Any changes in copays by plan members are built into assumptions for mail order savings in the current year.
- The amount of the increase in state funding required to implement this bill will depend upon savings no longer realized from discounts resulting from the shift to mail order prescription

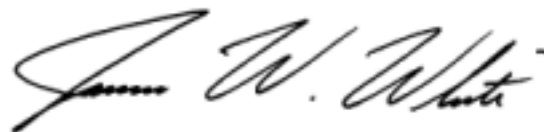
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usage in calendar year 2004. Current estimated savings are about .5% of the \$444 million employer share to the state plan and to the local education plan of \$282 million. An increase of .5% in the two plans is \$3,630,000. The increase could be even greater if more prescriptions than estimated are filled through mail order.

- Although TennCare does not currently utilize a mail order pharmacy option, the bill could prevent any future implementation of such a plan.
- The state-operated local government plan and other local government plans that utilize mail order prescription services would be affected in a similar manner. The amount cannot be determined but is estimated to exceed \$1,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James W. White".

James W. White, Executive Director